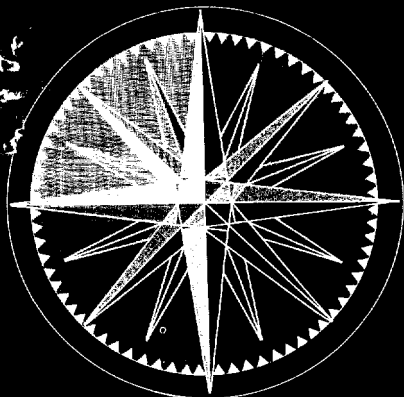


14 June 1963

OCI No. 0284/63

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# WEEKLY SUMMARY

## OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

# CENTRAL INTELLIGENCE AGENCY

NAVY review  
completed.

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**C O N T E N T S**

(Information as of 1200 EDT, 13 June 1963)

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<b>THE CUBAN SUGAR SITUATION</b>	<b>1</b>
The regime is stressing a need to overcome a "huge inadequacy" in sugar production so Cuba can fulfill a role in the bloc "division of labor" as primarily a supplier of sugar. The former policy was one of agricultural diversification and industrialization.	

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**THE COMMUNIST WORLD**

<b>USSR PREPARES NEW ECONOMIC PLANS</b>	<b>3</b>
New promise of better living standards is evident in guidelines announced for the 1964-65 plan which give priority to the chemical industry explicitly in support of agriculture and consumer goods.	
<b>NEW SOVIET RESTRICTIONS ON PRIVATE PROPERTY</b>	<b>4</b>
The regime continues to thwart private enterprise despite the important role it still plays in the supplying of food and construction of housing.	

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**SECRET**THE COMMUNIST WORLD (continued)Page

- CZECHOSLOVAK LEADER NOVOTNY UNDER FIRE** 5  
 Pressures for liberalization of his hard-line policies seem to have moved Novotny to oust Premier Siroky as a scapegoat--a move which could backfire and jeopardize Novotny's own position.
- CHINESE COMMUNIST CAMPAIGN AGAINST "CAPITALIST VICES"** 6  
 Peiping apparently has decided that a step-up in its political education campaigns--under way since last fall--is warranted despite the risk of a further loss of worker efficiency.



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- COMMUNIST CHINA AND PAKISTAN NEGOTIATE AIR AGREEMENT** 8  
 The talks, apparently begun on Peiping's initiative, are probably politically motivated and may lead to a formal agreement soon; regular air service is not expected to begin for many months, however.

ASIA-AFRICA

- NEUTRALISTS ON DEFENSIVE IN LAOS** 9  
 Souvanna continues to keep the door open for negotiations, but he fears that the Communists may launch a general attack.
- MALAYSIA IN DIPLOMACY** 10  
 Indonesia and the Philippines have withdrawn their overt opposition to the proposed Malaysia federation
- INDIA'S SOUTHEAST ASIA ROLE BECOMES MORE POSITIVE** 11  
 The impact of Sino-Indian hostilities last fall has led New Delhi to acknowledge that India's security interests are affected by events in Laos and Vietnam as well as on the Himalayan frontier.
- CONGO POLITICS IN THE DOLDRUMS** 12  
 Party leaders in both the pro- and anti-government camps are looking toward new elections in 1964,

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**ASIA-AFRICA (continued)**

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**IRAQ RENEWS WAR AGAINST KURDISH REBELS**

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The Baghdad regime's new campaign is likely to be long and costly.

**MORE FIGHTING IN YEMEN**

14

The UN observer teams' arrival coincides with a new round of Egyptian bombing of Saudi border towns used as royalist supply bases.

**EUROPE**

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**GREEK POLITICAL CRISIS**

16

Intensive maneuvering is going on in the wake of Premier Karamanlis' resignation, with possible revision of the electoral law a major issue.

**SOCIALIST-COMMUNIST COOPERATION IN FRANCE**

17

The prospect of closer tactical cooperation poses no immediate threat to France's political stability or Western orientation but could enable the Communists to escape their present political isolation.

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THE HABSBURG QUESTION IN AUSTRIA Disagreement over whether to allow Archduke Otto to return to Austria threatens further to undermine the country's already shaky coalition.	18
ELECTION OUTCOME IN ICELAND The two strongly pro-Western coalition parties lost one seat but retain a workable majority.	19
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COMMUNIST TERRORISM IN VENEZUELA Indications are that the Communists, utilizing the terrorist Armed Forces of National Liberation, intend to place even greater stress on armed violence.	21
POTENTIAL PROBLEM FROM DOMINICAN EXTREME LEFT President Bosch's policy of tolerating activity by Castro-Communists underestimates their considerable troublemaking potential.	22

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Cuba

**THE CUBAN SUGAR SITUATION**

In an 8 June speech, Cuban agricultural chief Carlos Rafael Roriguez said that this year's sugar production will be only about 3.8 million metric tons. This, he complained, reveals a "huge inadequacy" in the production effort. His figure is a million tons less than last year's crop and compares even more poorly with the ten-year average of more than 5 million tons.

Rodriguez stressed that production must be radically improved since sugar is the "basic factor" of the economy. Like Castro, he hinted that Cuba's role in the Soviet bloc "division of labor" is that of a supplier of raw materials and agricultural products, specifically sugar. He even said some lands now devoted to rice and cotton may be turned to sugar planting.

The emphasis--gradually building up for more than a year--on sugar production constitutes a basic policy change. During Castro's first two to three years in power the objective was agricultural

diversification and industrialization aimed at reducing Cuba's heavy dependence on a single crop. Many acres of sugar lands were plowed up and turned to other crops, a policy now admitted to have been a serious error.

Now, little is being said officially in Cuba about the grandiose industrial projects that Castro once promised would be built with Soviet assistance. While the bloc is providing assistance in industrial development, it is concentrating on extractive and processing industries, power plants, and light manufacturing.

Rodriguez also announced that plans are being developed to reorganize the agricultural bureaucracy once again. State farms and other cane-producing lands are to be merged into regional groups with a degree of financial and administrative autonomy. "In 1964," Rodriguez declared, "the advantage of regional agricultural leadership must be demonstrated as it has been in the socialist countries."

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The Communist World

**USSR PREPARES NEW ECONOMIC PLANS**

The Soviet consumer has again been promised significant improvements in his standard of living. Guidelines announced on 4 June for the 1964-65 economic plan give priority to the chemical industry explicitly in support of agriculture, consumer goods, and substitutes for certain metals.

The guidelines, said to be based directly on proposals by Khrushchev, follow his dictates at the central committee plenum last November. There has been little other evidence in recent months that traditional priorities in heavy industry will be altered to direct more effort to improving living standards. However, Khrushchev's continuing concern over lack of progress in agriculture and the need for consumer incentives to spark the over-all economic program may have led him to decide on remedial action more realistic than the mere organizational panaceas adopted up to now.

An article in the latest issue of the chief planning journal outlines the procedures for drawing up the two-year plan and also the five-year plan (1966-70). Adding to the priorities given in the guidelines announcement, the journal singles out electronics for rapid growth. It emphasizes the growing use of computer systems in planning, although electronics in communications and industrial control systems will probably continue to be more important for the immediate future.

As usual there has been no indication of the position armaments production is to occupy in the plans. The one reference to defense expenditures in the jour-

nal article said the five-year plan would provide for the "long-range strengthening of defense capacity," a formulation used since mid-1961. Much of the intended increase in electronics production will probably go to the military, and although many of the chemicals listed for rapid expansion have direct application in light industry and agriculture, some are obviously of strategic importance and will find their way into military production.

Soviet planners claim publicly that their present innovation, the two-year plan, is to be an "integral" part of the still-existing Seven-Year Plan (1959-65) and that the five-year plan will be a more concrete expression of the first decade of the Twenty-Year Plan (1961-80) announced in 1961. It seems unlikely that these changes will affect all the Seven-Year-Plan goals, but there will probably be some major reshaping.

There is little doubt that the decision to draw up these new plans was in large part due to the disproportions which have developed over several years because of mounting defense expenditures, slackening investment, and difficulties in agriculture. The decision follows several years of discussion of the need for radical improvement in planning continuity. The two-year plan answers this need, as does the present emphasis on "continuous" planning whereby the planners work out a plan for the current year and one projected five years in advance to take into account possible changes in science and technology, in the availability of resources, and, presumably, international developments.

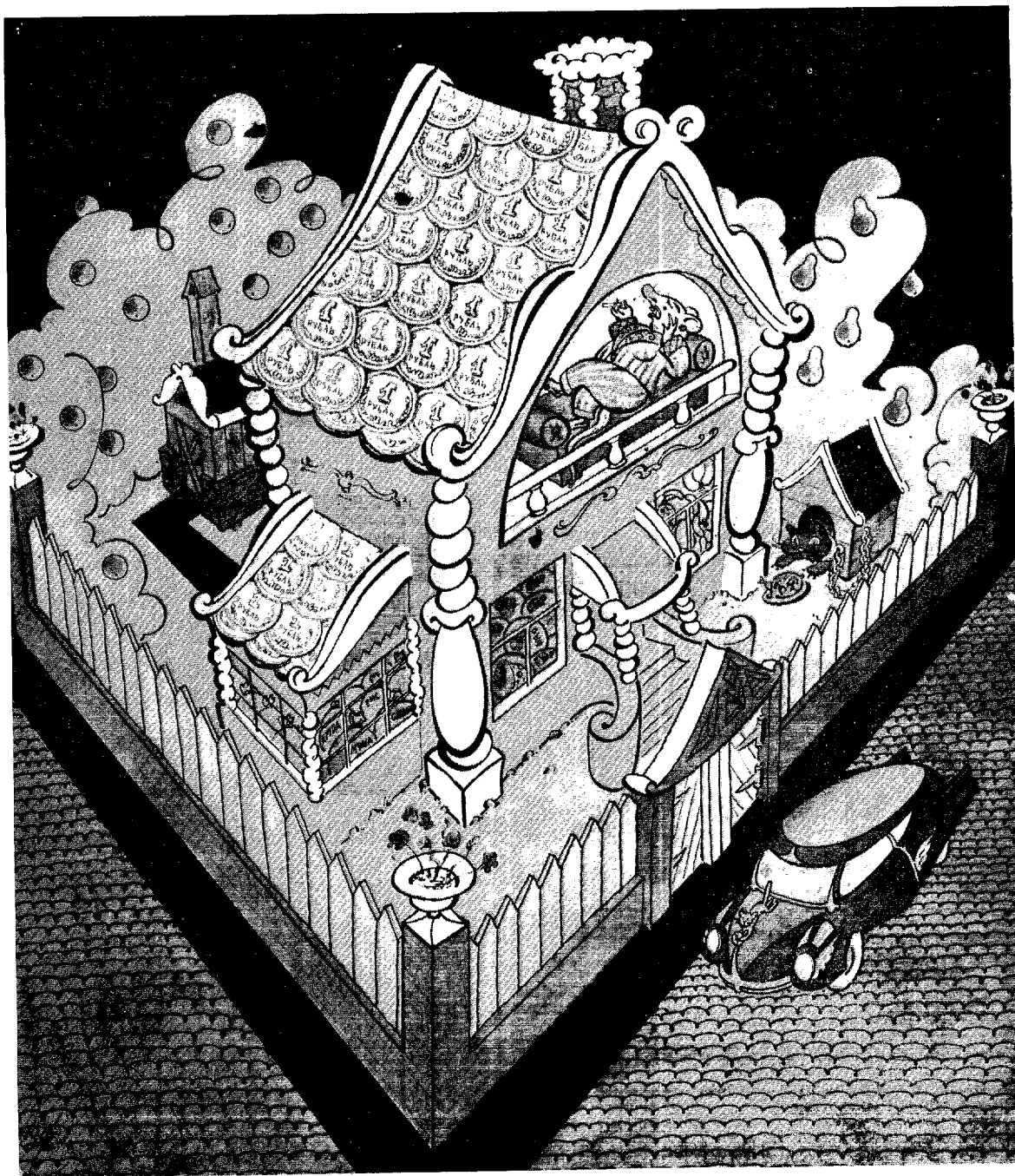
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Cartoon from KROKODIL depicting evils of private holdings and ownership.

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The Communist World

**NEW SOVIET RESTRICTIONS ON PRIVATE PROPERTY**

The USSR continues to thwart private enterprise among its citizens despite the economic irrationality of doing so. New limitations are being imposed on private livestock holdings, although these are the source of a large portion of the country's milk and meat supplies. The campaign against private dwellings has apparently been intensified despite the continued severe housing shortage and the fact that it will prevent fulfillment of the highly touted Seven-Year Plan (1959-65) for urban housing.

Throughout its history, the Soviet leadership has intermittently attacked the private sector in agriculture, an ideological anathema. As a result, the sector's share of total output has been declining slightly. Threats of abolishing private plots altogether are followed by largely futile attempts to woo the farmers away from them by promises of more adequate food supplies from communal stocks. In the past month, decrees have once again been passed in several republics rigidly restricting the number of livestock a state farmer or city-dweller may own, although private ownership is not altogether prohibited. Another decree has increased the penalties for feeding bread to livestock--a practice common in the private sector for many years.

Both of these moves follow four years of agricultural stagnation at a time when the private sector still contributes heavily to total food supplies: in 1962, 44 percent of the meat, 45 percent of the milk, and 76 percent of the eggs. The earn-

ings from sales of these products are a welcome supplement to the incomes of urban and state farm workers and a necessity to collective farm members. These latest measures will, however, probably be as ineffective as similar ones in the past.

As for housing, the building of single family dwellings by individuals is ideologically unacceptable to the Soviet leadership because it fosters habits of private ownership, makes control of the population difficult, and is often the basis of speculation. The USSR prefers to house its citizens in state-owned and -built apartment houses. In planning for housing construction for the Seven-Year-Plan period, the regime continued to rely heavily on private construction but it has since taken several steps to discourage it.

State loans for private buildings have been limited while cooperative construction--which uses private funds but lacks the advantages of private houses--has been encouraged. A recently published Pravda article by a banking official indicates that plans for private housing during the remaining three years of the plan have been even more drastically curtailed. As a result, the Seven-Year Plan for total urban housing may fall short of fulfillment by 10 percent or more.

Further moves against private property may be taken at the party central committee plenum scheduled for mid-June.

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JIRI HENDRYCH

Party ideology chief and a likely candidate for Novotny's post. Not very different from Novotny, Hendrych has nonetheless remained less compromised in the view of the public.



ANTONIN NOVOTNY

Hard-line Czechoslovak leader faced with demands which may sweep him out of power.



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VILIAM SIROKY

Premier and long a hard-liner, Siroky had shown some signs of willingness to cooperate with de-Stalinization--such signs apparently came too late.

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The Communist World

**CZECHOSLOVAK LEADER NOVOTNY UNDER FIRE**

Increasing pressures on Czechoslovak party leader Novotny for more liberal domestic policies may be jeopardizing his position. His token response in allowing the dismissal this spring of a few notoriously Stalinist officials and the rehabilitation of their victims apparently failed to satisfy party elements seeking amelioration of his regime's long-standing hard-line policies. Under growing pressure from the party, the Slovaks, intellectuals, and the population at large, Novotny now may have decided to make a scapegoat of his close colleague, Premier Viliam Siroky.

On 3 June the Slovak party daily, obviously with Prague's approval, printed a speech made at the recent Slovak journalists' congress attacking the Czechoslovak party leadership for repressive methods used since 1950 and criticizing Siroky specifically as an initiator of "Stalinist" policies. This would appear to set the stage for his removal. Such a move, however, would be a dangerous one for Novotny, who is just as guilty as Siroky and who, along with Siroky, is regarded by the populace as co-engineer of the notorious 1949-54 purges.

Novotny arrived in Kosice--symbolic seat of Slovak autonomous sentiment--on 12 June accompanied by two top Slovak

leaders, presumably for discussion of differences with Prague.

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Novotny's failure to keep his de-Stalinization program within close bounds, his recent concessions to intellectuals, and the now possible removal of Siroky will probably encourage still more popular and party demands for liberalization. In view of the dissatisfaction with Novotny's own leadership thereby implied, it appears he will be able to retain power only as long as he can personally rally support in the central committee. The extent of opposition to him in that body is not known, but his obvious failures to protect his long-time colleagues is bound to alienate some supporters.

If the situation becomes any more threatening to Novotny's position, the USSR may feel compelled to intervene.

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The Communist World

**CHINESE COMMUNIST CAMPAIGN AGAINST "CAPITALIST VICES"**

The political education campaigns that have been under way in Communist China since last fall are entering a more vigorous phase.

popular support for the Chinese brand of socialism continues to diminish. Peiping is undoubtedly aware that political crackdowns have an adverse effect on the morale and enthusiasm of workers and peasants, but apparently has decided that "capitalist tendencies" have been getting so far out of hand since controls were relaxed in 1961 that the risk of a further loss of worker efficiency is warranted.

the major rectification movement now under way is a "five-anti" campaign. This is aimed partly at low-level government and party officials who have been corrupt or engaged in dealings on the black market. There have been indications that the authorities are still acting cautiously in cracking down on such practices, and demotion probably is a common penalty for lesser crimes.

Peasants are another major target of the campaigns.

Strict movement controls have been imposed, and a peasant must now get an "ideological clearance" to visit even a neighboring commune. the local militia--the village guard--generally is being strengthened.

These campaigns probably do not stem from confidence in Peiping that the economy now is strong enough to withstand new strains. Although relieved at having survived the worst of its difficulties, the regime's recent optimism concerning economic developments appears to be waning. Reports on crop prospects have become increasingly gloomy. Retrenchment in industry remains the rule. The current campaigns, therefore, are more likely reflections of a growing fear among Chinese leaders that popular support for their unpromising socialist ideals--never too strong at best--is declining.

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**SECRET****The Communist World****COMMUNIST CHINA AND PAKISTAN NEGOTIATE AIR AGREEMENT**

Communist China and Pakistan have taken the first step toward establishing regular civil air service between them. Nur Khan, the director of Pakistan International Airlines (PIA), who recently returned to Karachi after four days of intensive negotiation with Chinese officials, announced on 7 June that preliminary agreement on an air link had been achieved. The announcement noted, however, that much preparatory work must still be done, indicating that final approval by both governments may be some time in coming.

The current negotiations are apparently the result of a Chinese Communist initiative. The Chinese reportedly raised the possibility of a civil air agreement about a year ago and recently renewed their invitation to talk the matter over. Their principal motivation is probably political--to stir up trouble between Washington and Karachi and to inflame bad relations between Pakistan and India.

These objectives would be fostered by drawn-out and well-publicized conversations, so further talks are in prospect.

It seems likely that these will lead eventually to a formal agreement but the chances appear slim that regular air service will be established any time soon.

Peiping signed civil air agreements with Burma in 1955 and Ceylon in 1959, and last year entered into negotiations for similar agreements with Laos, Cambodia, and Indonesia. Even in the case of the agreements already signed, however, the Chinese imposed obstacles to their implementation and thus far only Communist airlines provide regular service into China.

Pakistan's decision to enter negotiations at this time was influenced by a desire to needle the Indians and register a protest against Western arms aid to New Delhi. The Pakistanis may also believe that the prospect of their establishing an air link with China might pave the way for PIA operations into the important air terminal of Hong Kong, where they have previously sought such rights without success.

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Asia-Africa

**NEUTRALISTS ON DEFENSIVE IN LAOS**

Premier Souvanna continues to keep the door open for negotiations with Pathet Lao leader Souphannouvong but is fearful he might order his forces to launch an all-out attack throughout Laos. The two leaders have not yet reached agreement on the conditions for further talks, and prospects for an early meeting remain poor.

Souvanna has informed the US ambassador in Vientiane that if the Pathet Lao spark outright attacks on neutralist positions or definitely refuse to "come back" into the present government, he would resign. He is willing, however, to preside over a new government that would exclude the Pathet Lao.

In central and southern Laos, persistent Communist intimidation has led to the withdrawal of Kong Le units from several points. Although these points were only nominally held by neutralist elements,

the neutralists served as a buffer between the rightist units deployed in the Mekong valley area and the Pathet Lao forces near the North Vietnamese border. The Pathet Lao attack on rightist forces at Attapeu in southeastern Laos on 13 June marks the first direct confrontation between these forces in the present crisis.

The steady Pathet Lao harassment of Kong Le's position on the Plaine des Jarres continues, and his forces are further plagued by the advent of the rainy season.

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Kong Le has not been able to establish a center of reserve strength in the plain area.

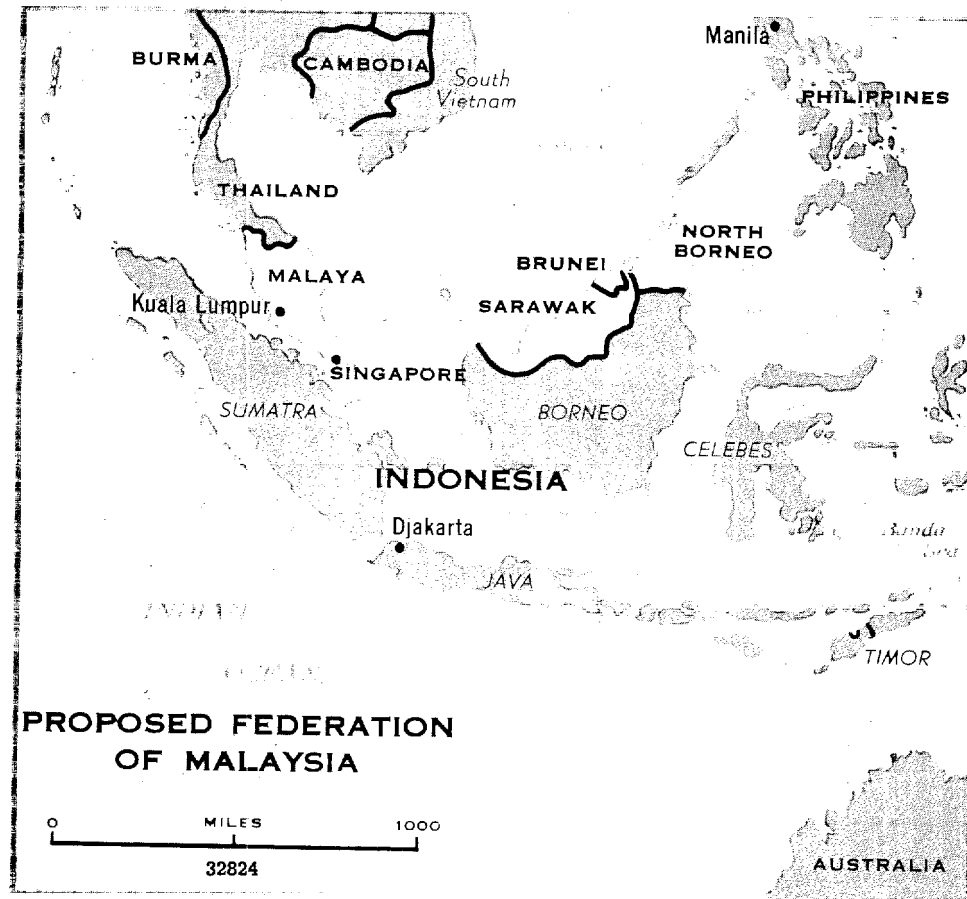
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Asia-Africa

**MALAYSIA IN DIPLOMACY**

Indonesian and Philippine efforts to block the proposed Federation of Malaysia have again moved into the diplomatic arena. The tripartite conference--composed of foreign ministers of Malaya, Indonesia, and the Philippines--which met in Manila from 7 to 11 June, has paved the way for a heads-of-government summit meeting tentatively scheduled to be held by the end of July.

At the Manila conference, the Philippines and Indonesia are reported to have withdrawn their open opposition to Malaysia after Malaya consented to consider the Philippine claim to North Borneo--possibly even to cancel it with a financial settlement--and to hold a merger referendum under some neutral agency in Singapore and the British territories before the actual formation of Malaysia. However, the "referendum" in Borneo might consist merely of a visit there by a UN team, who would "find" that the people favor federation.

A Philippine proposal to establish a "Malay confederation" for the security of the region was also accepted in principle by Malaya and Indonesia. The proposal was offered as complementary to Malaysia federation, not a substitute for it as earlier envisioned.

Sukarno's invitation to Malayan Prime Minister Rahman

and their subsequent meeting in Tokyo on 31 May led Rahman to conclude that Djakarta had withdrawn its public policy of "confrontation" against Malaysia. General Nasution, Indonesia's defense minister, told the British ambassador on 8 June, however, that the Tokyo detente was superficial and would not last.

The Malaysia plan meanwhile is running into difficulties between Malaya and Singapore and between Malaya and Brunei. Malaya-Singapore financial negotiations are complicated by a political struggle between Singapore Prime Minister Lee and the conservative Chinese supporters of Malayan Finance Minister Tan. The Brunei-Malaya problem also involves finances, specifically the Sultan's opposition to allocating revenue from future mineral discoveries to the central government. His representatives are negotiating in Kuala Lumpur over final financial terms for entering the federation.

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Asia-Africa

**INDIA'S SOUTHEAST ASIA ROLE BECOMES MORE POSITIVE**

The impact of Sino-Indian border hostilities last fall has gradually brought New Delhi to a more positive attitude regarding India's role in the affairs of Southeast Asia. For years, Prime Minister Nehru and Indians generally refused to concede any significant relationship between their own security interests and crises in such places as Laos and Vietnam. They found it convenient to explain these situations as essentially extensions of the anti-colonialist struggle, complicated by external meddling based on "cold war" considerations. Their concept of neutrality in the area seemed all too often to sanction criticism of Western actions and silence regarding the Communists.

In pursuing this policy, India aimed at preserving its own good relations with the Communist world as well as reducing international tensions. In particular, Indians hoped to keep their own festering border dispute with the Chinese out of the "cold war" context. They were confident that by so doing they could more easily reach a negotiated settlement with Peiping.

The hostilities in the Himalayas last fall, however, dashed New Delhi's hopes for an early settlement of this dispute and the Chinese effort to marshal Asian opinion against India has brought many Indian officials to acknowledge that their country's security interests include Southeast Asia as well as the Himalayan Frontier.

In Laos, the Indian chairman of the three-man International Control Commission (ICC), at New Delhi's instance, has helped make the commission more effective by shifting the basis of ICC decisions from unanimous to majority vote. In Vietnam too, the Indians have been more cooperative with the US. Official visitors warmly received in New Delhi recently have included Thailand's foreign minister, Malaya's prime minister, and the Laotian King. Even Indonesia's Sukarno, whose relations with Nehru have been further strained by Indian support for the Malaysian federation, may be invited to visit New Delhi soon.

One sign of the change in New Delhi's attitude was a recent three-day conference in New Delhi of India's diplomatic representatives in Southeast Asia--the first such area conference that the Indians have ever held. Nehru lent his prestige to the sessions by attending all of them, and what he and his subordinates heard has apparently convinced them of the need for fence-mending efforts in the area to counter India's poor image and to combat Chinese influence.

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the change in official attitudes alone should go a long way toward improving Indian effectiveness in Southeast Asia.

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Asia-Africa

**CONGO POLITICS IN THE DOLDRUMS**

The Congo's volatile Parliament has been quiescent since late April, when a motion of censure against Premier Adoula failed. Party leaders in both the anti-Adoula "nationalist" group and the progovernment camp are already concentrating on schemes for the parliamentary elections scheduled for next year.

Adoula's parliamentary position remains shaky and he presumably will try to avoid any head-on collision before 30 June, when the legislators are scheduled to recess. Reports that he was about to pro-rogue Parliament earlier evoked constitutional amendment passed by both houses "requiring" the government to obtain Parliament's consent for a recess. In a more questionable maneuver, which seems to call in question the point of holding the 1964 elections, Parliament even extended its life for another year.

In another move aimed at Adoula, the lower house on 28 May voted to restore the parliamentary immunity of the leftist former Stanleyville leader, Antoine Gizenga, imprisoned by the government since January 1962. Although the action has a somewhat perfunctory ring to it, Gizenga's detention continues to plague Adoula.

In Katanga, Tshombe's star continues to decline. A series of humiliations has been capped by the seizure of some of his personal documents.

There are still reports of plans for secessionist moves once UN forces depart, and Tshombé has shown his recuperative powers in the past. However, he has lost his large mining revenues, his army is scattered and disorganized, Katanga is split three ways, and his Conakat party is breaking apart under pressure from ambitious successor parties.

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Asia-Africa

**IRAQ RENEWS WAR AGAINST KURDISH REBELS**

The Iraqi regime, after lengthy but halfhearted negotiations with Kurdish representatives, opened its long-expected campaign against the rebellious Kurds early this week. Martial law has been instituted in northern Iraq. Considerable suffering, and possible starvation, among the non-combatant population is likely.

Iraqi forces in northern Iraq have been steadily reinforced during the past several months. In the first days of the fighting, Kurdish villages have been shelled and bombed, and small clashes between Iraqi troops and Kurdish irregulars have occurred. The US Embassy in Baghdad believes that the regime's estimate that it can clean up the Kurds in a few weeks or even by autumn is far too optimistic. Intertribal rivalries among the Kurds are being submerged by a feeling of unity against the overwhelming Arab regime in Baghdad. The renewed war almost certainly will be prolonged and costly, and the breach between the Kurds and

Arabs will be widened so far that eventual compromise will hardly be possible.

Moscow has attacked the renewal of hostilities as a gross violation of the armistice between Baghdad and the rebels and as an indication that the Iraqi Government has embarked on a policy of "straightforward repression of the Kurdish national movement."

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since the 8 February Baathist coup, Moscow has on a number of occasions openly espoused Kurdish demands for autonomy within the Iraqi state.

The USSR at the same time has continued to seek good relations with the post-Qasim government in Iraq through the maintenance of its economic and military aid program. It is thus unlikely to carry its support of the Kurdish position beyond occasional propaganda attacks.

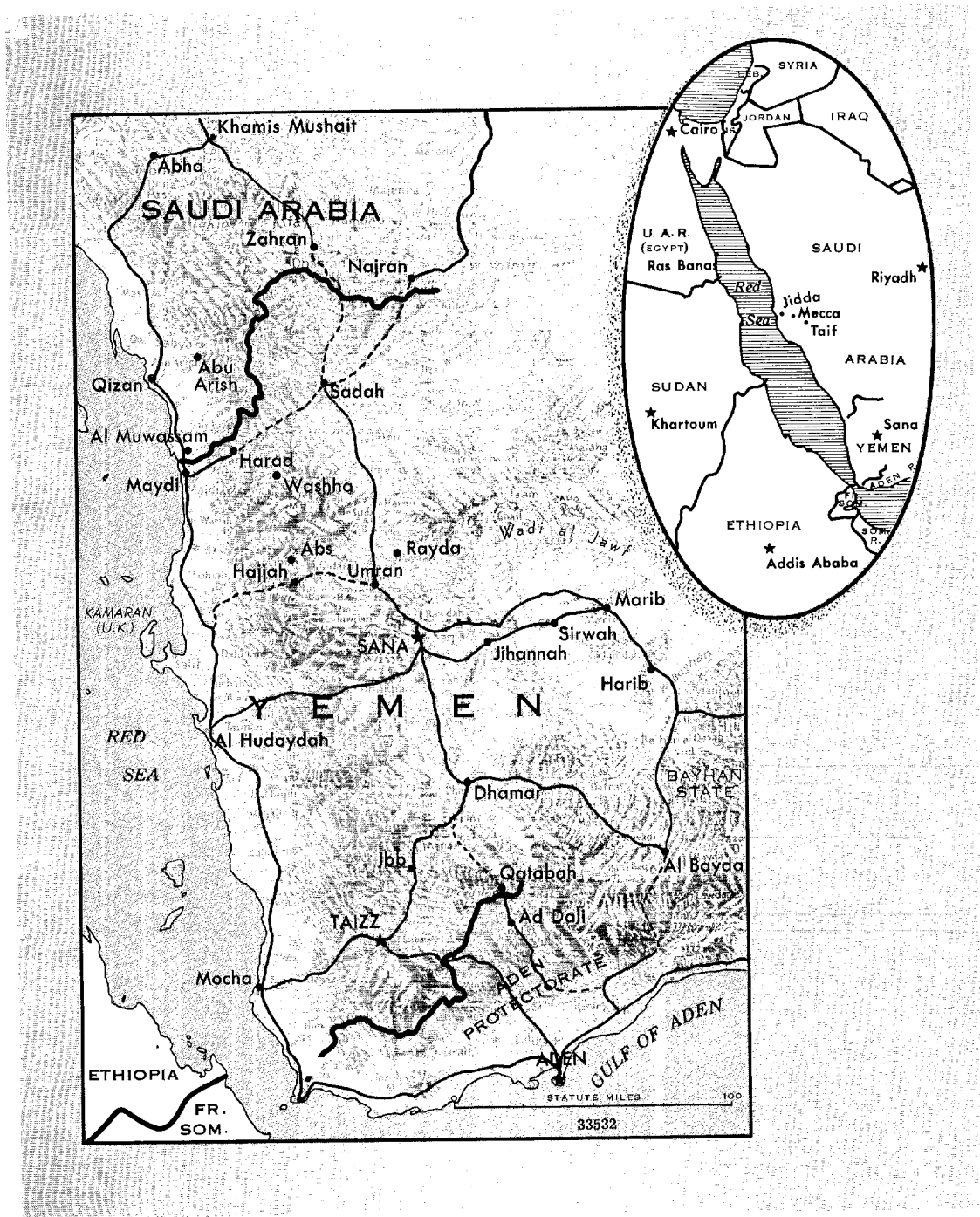
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Asia-Africa

**MORE FIGHTING IN YEMEN**

Following the Security Council's formal approval of the UN operations to supervise disengagement in Yemen, the UN's General Von Horn and an advance party of an observer force have arrived in Hudaydah. Their arrival coincides with increasing tension in the area.

Egypt on 4 June renewed bombing attacks on Saudi border villages serving as supply depots for the Yemeni royalists. On 4, 6, 7, and 8 June Egyptian aircraft bombed the larger bases at Najran, Khamis Mushait, Zahran, and Quizan.

Fighting meanwhile continues in the area north and east of Sana and in isolated pockets in northwest Yemen.

Egyptian losses of military equipment in Yemen are reported to be the primary reason for UAR Vice President Amir's current visit to the USSR. [REDACTED]

[REDACTED] Amir is seeking replacement of planes, tanks, and other material destroyed in Yemen. Egyptian losses probably have been heavy. The USSR complied with a similar Egyptian request following the Suez crisis in 1956.

In addition to military problems, the republican regime in Yemen is still plagued by a variety of civil difficulties. Growing financial strains and religious frictions have resulted in considerable disaffection among hitherto loyal elements. [REDACTED]

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Europe

**GREEK POLITICAL CRISIS**

The resignation of Greek Premier Karamanlis after the King refused to accept his advice not to proceed with a royal visit to Britain has led to intensive backstage political maneuvering, which will continue as attempts are made to form a successor government.

Karamanlis has suggested to the King that a caretaker government be formed to prepare for immediate elections under the present electoral law, which calls for a majority system of voting. The King has countered with a proposal that Karamanlis support the formation of a "transitional" government under the leadership of Deputy Premier Kanellopoulos. Such a government would not need to hold elections at once and would have the authority to change the electoral law to some form of proportional representation. The opposition parties, who are certain to fare better under such a system, have been demanding this change.

Kanellopoulos may be receptive to an invitation from the palace to form a government, as he is reported to be unhappy over the manner in which the present crisis has de-

veloped. However, along with the rest of the cabinet, he has publicly supported Karamanlis in the dispute with the crown and would find it difficult to desert in the face of Karamanlis' determined opposition. Such a break, moreover, would split Karamanlis' National Radical Union Party (ERE), and to form a government Kanellopoulos would need the support of opposition elements drawn in part from the moderate Center Union. A split in both these major non-Communist parties would usher in a period of intense political ferment.

Karamanlis on his part has moved to maintain firm control of the ERE. He has told party leaders that he would not support anyone else as premier in a transition government and would insist on early elections. He is convinced he would not lose significant support among the electorate even if several parliamentary followers deserted him. The opposition parties, however, may well boycott elections held under the present law and thereby lend weight to their charges that the ERE is maintaining itself in power "illegally."

Maintenance of the majority voting system would also make it more likely that the Center Union and the Communist-dominated United Democratic Left would cooperate in the campaign. These two parties recently engaged in de facto collaboration in their attempts to discredit the Karamanlis government.



KARAMANLIS

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Europe

**SOCIALIST-COMMUNIST COOPERATION IN FRANCE**

The French Communist Party (PCF) stands to derive broad, long-range benefit from the weakening resolve of the Socialist Party (SFIO) to maintain a firm anti-Communist policy. While the increasing Socialist willingness to consider closer relations with the Communists is largely tactical and poses no immediate threat to France's political stability or Western orientation, it does set the door ajar for an eventual Communist escape from political isolation.

The Socialists are reverting to the theme of working-class unity as the best counter to the Gaullist regime. This tactic permits Party Secretary General Guy Mollet to dismiss overtures from the center parties for a new broadly based party to compete in the 1965 presidential election, but it also implies close ties with the PCF. While the SFIO national congress went on record in early June as opposing a political agreement with the Communists, it did endorse the idea of coordinating "defensive tactics with the Communist Party against an avowed danger," and Mollet publicly envisages eventual unity.

Mollet has made it clear, however, that formal Socialist-Communist cooperation would not weaken Socialist support for the Atlantic alliance and would de-

pend on PCF rejection of loyalty to Moscow. He is, nonetheless, blunting anti-Communist sentiment in Socialist ranks by holding out hope for an early change in PCF attitudes. By citing Khrushchev's denunciation of Stalinism and espousal of peaceful coexistence as evidence of an evolution taking place among Communists, Mollet is encouraging a favorable response to the appeals for a joint program, which Communist leaders are pushing with increasing vigor.

In practical terms, cooperation is already accepted on the electoral level. At the congress, Mollet justified the accords which resulted in Socialist and Communist victories on the second round of last fall's elections. The attitude such cooperation creates on the local level is evident, for example, in a statement issued in early May by the Seine Socialist Federation declaring cooperation with the Communists was necessary as long as De Gaulle retains power. The most striking instance, however, is a 9 June National Assembly by-election in the Herault Department in southern France, where the Socialists took the unusual step of withdrawing their candidate in favor of the Communist on the first ballot, thereby assuring his election without recourse to a run-off.

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**THE HABSBURG QUESTION IN AUSTRIA**

A high court decision of 31 May permitting Otto Habsburg to return to Austria threatens further to undermine the country's already shaky coalition. Chancellor Alfons Gorbach's People's Party and the Socialists in March resumed the stewardship of the country they have shared since the end of World War II, but only after four months of sometimes bitter postelection haggling. The Socialists would not accept the narrow victory scored by the People's Party in the November 1962 parliamentary election as a basis for surrendering the Foreign Ministry and making other concessions.

Members of the Habsburg dynasty have been legally banned from Austria since 1919, pending their renunciation of royal ambitions and pledge of allegiance to the republic. The Archduke Otto, as he is known to his scattered monarchist supporters, executed these requirements in 1961, but continuing Socialist mistrust has barred his return.



OTTO HABSBURG

Following the court ruling the Socialists took the position that Parliament and the people, through a referendum, should have the final word on Otto. Socialist deputies, in an unprecedented alliance with the small, right-wing Liberal Party, even took initial steps to overturn the latest ruling. People's Party spokesmen, while hesitant to champion the Habsburg cause, charged the Socialists with a breach of the "rule of law" and a violation of the coalition contract.

Reportedly now pending is a compromise solution to the immediate problem, by which Otto would be awarded a portion of the impounded Habsburg properties in exchange for his promise not to return. Even if acceptable to both the coalition and Otto, this will still leave as a live issue the fate of future Habsburg pretenders.

While the Habsburg issue is not likely to topple the government it could do serious damage to Austria's chief ambition--an association agreement with the EEC. The coalition parties have yet to reach an agreed position on what to seek in negotiations with the EEC, and a cabinet crisis at this time may seriously set back Austrian efforts to reach a working agreement with the Common Market.

The Habsburg issue could also exacerbate Austria's relations with the neighboring Czechs, Hungarians, and Yugoslavs by awakening unpleasant memories dating back to the Austro-Hungarian Empire.

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Europe

**ELECTION OUTCOME IN ICELAND**

Prime Minister Olafur Thors' strongly pro-Western coalition of Conservative and Social Democratic parties lost one seat in Iceland's 9 June general elections, but maintained a workable majority by winning 32 of the 60 seats in the Althing. The opposition Progressive Party gained two seats to bring its representation to 19, while the Communist-front Labor Alliance lost one seat for a total of nine.

The postelection government is expected to be another coalition of Conservatives and Social Democrats. During the campaign, Thors indicated that he would be prepared to accept the Progressives as coalition partners but the conditions he posed are likely to make it difficult for this nationalistic, isolationist-minded, largely rural-based party to accept. It would require fundamental

modification of the Progressives' stand on such important questions as basic economic policies, the NATO base at Keflavik, fishing limits, and relations with the Common Market.

An immediate problem confronting the new government is the question of how to deal with growing labor unrest. In recent years the Communists have used their control of the central labor federation to foment strikes with the purpose of discrediting the government's economic policies and thereby force it to resign.

Although this tactic failed to topple Thors two years ago, the Communists are likely to try it again, since their election setback rules out any chance of their being brought into the government.

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**THE ARGENTINE POLITICAL SCENE**

The nomination of Vicente Solano Lima as the presidential candidate of the Peronist-backed Popular and National Front (FNP) is generating political frictions that are causing defections from the front, and encouraging some military officials to seek legal means to disqualify him.

Solano Lima, leader of the small Popular Conservative Party, has Peron's stamp of approval but not that of many of the Peronist rank and file. As a consequence, some Peronists who consider Solano Lima a poor choice, are reportedly looking to other candidates. On 6 June, Solano Lima added fuel to the fire by telling the press that "Peron's return to Argentina depends on Peron's wishes."

Meanwhile, ex-President Frondizi's endorsement of Solano Lima's candidacy has split his own Radical party (UCRI), the largest in the field. Frondizi supporters elected a new slate of officers on 11 June. Former party president Alende thereupon resigned from the party--but not from the earlier UCRI

nomination for president. Only a new convention can withdraw this nomination.

Another setback for the FNP last week was the withdrawal of one of its small constituent parties to support the presidential candidacy of retired General Leon Bengoa, who was earlier considered the most promising front candidate.

Military reaction to the nearly chaotic political situation is mixed. Some officers believe that Solano Lima cannot win and therefore should be allowed to run. Others are afraid to take this risk in the present confusion and prefer to try to block Solano Lima by legal action--Argentine law prohibits Peron's personal interference in the elections. Another group has increasing doubts whether elections under present conditions can result in an effective government and has not ruled out the possibility of a coup.

The army's course of action will be influenced by the progress of efforts by political groups to form new coalitions to challenge the front's strength.

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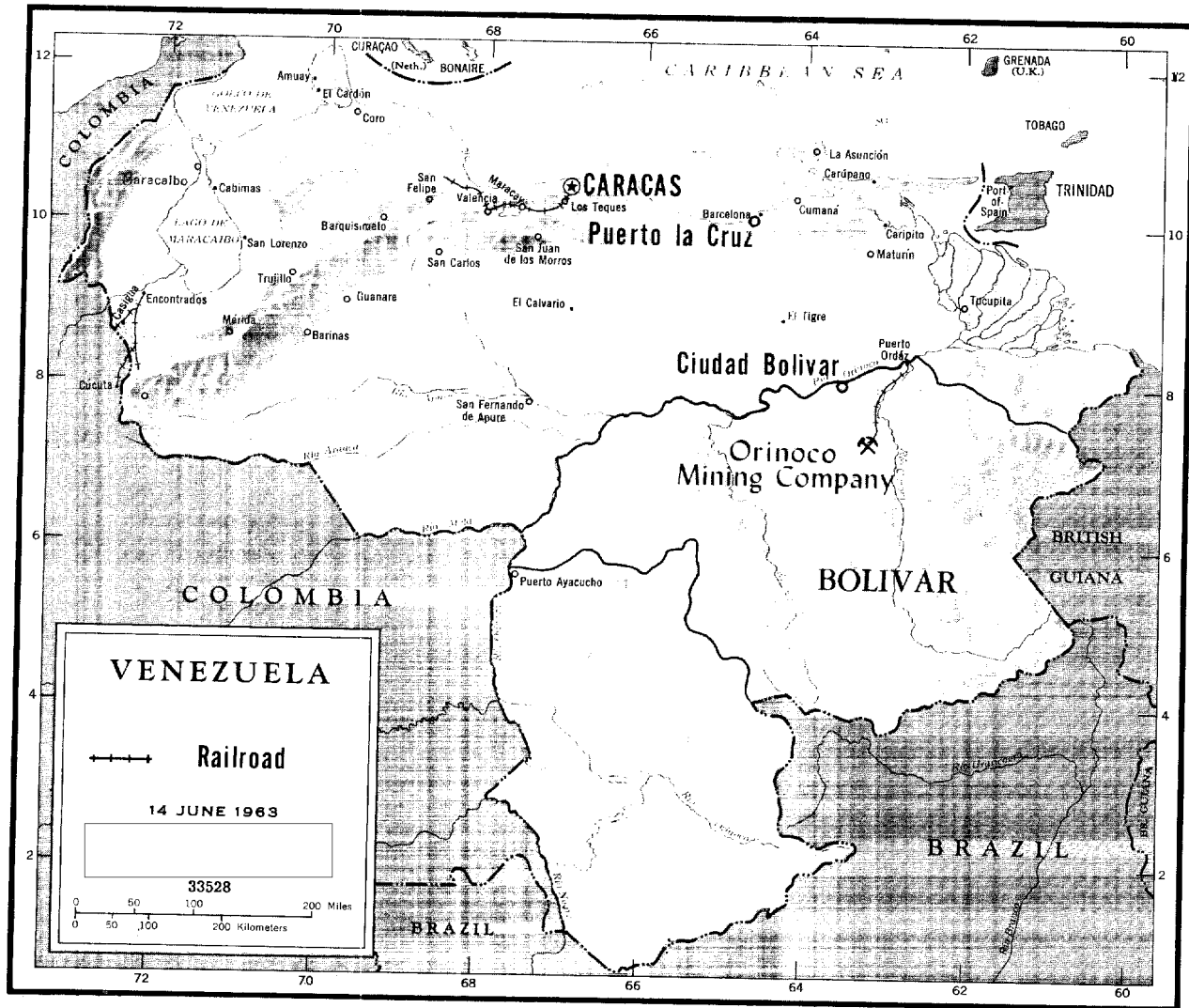
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**COMMUNIST TERRORISM IN VENEZUELA**

There are continuing indications that the Venezuelan Communists, utilizing the terrorist Armed Forces of National Liberation (FALN), intend to place even greater emphasis on armed violence than they have in the past. Gustavo Machado, a founder of the Venezuelan Communist Party (PCV), recently praised the FALN as the "armed might of the Venezuelan masses." Machado had heretofore been considered the leader of the nonviolent faction of the PCV, and was reported at one time to have advocated that all paramilitary units of the party be disbanded.

The FALN was organized by the PCV and its ally, the Movement of the Revolutionary Left (MIR), in late 1962 with a view to bringing their terrorist activities under a single command.

President Betancourt has presented an emergency antiviolence bill to Congress aimed at strengthening the legal machinery for combating terrorism. The measure, however, appears to have little chance of being passed by the opposition-controlled Chamber of Deputies.

Press reports suggest that Betancourt now has taken matters into his own hands by ordering the arrest of Communists and MIR members throughout Venezuela following the break-up of an alleged assassination plot against him in Ciudad Bolivar on 12 June. Betancourt's action may allay growing pressure on his regime from the military for strong anti-Communist measures.

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**POTENTIAL PROBLEM FROM DOMINICAN EXTREME LEFT**

Recent press accounts of startling Communist gains in the Dominican Republic are exaggerated, although President Bosch's continued tolerance of Castro-Communist activity is a serious potential problem.

Ambassador Martin does not believe that Bosch or other leaders of the ruling Dominican Revolutionary Party (PRD) will go the way of Castro. Nevertheless, Bosch refuses to restrict Communist activities on the ground that this would lead them to undertake the kind of terrorist campaign going on in Venezuela. This view tends to underestimate the nonviolent troublemaking potential of the nearly 100 well-disciplined Castro-Communists who recently returned from exile.

One factor favoring Castro-Communist growth is the current disarray within the only two sizable non-Communist parties. Bosch's PRD is in financial trouble and has failed to consolidate its impressive election strength. Friction has developed between Bosch, who has failed to meet party patronage demands, and ambitious PRD president Angel Miolan, who sees himself as the next Dominican president.

The National Civic Union, which ran second in the 1962 elections with 30 percent of the vote, is also being seriously weakened by financial difficulties and a prolonged internecine

power struggle. The party's principal left-wing leaders have resigned and other key members are threatening to follow.

Bosch is counting on success in his economic and social reform program to offset Communist appeals to the lower classes but faces several important obstacles. He lacks competent economic and technical advisers to assure proper handling of his proposed massive public works program and efficiently distribute the former Trujillo properties to the peasants. He has made progress in strengthening the country's financial position, a must for attracting foreign investment capital. However, his tendency to regard influential elements such as the church and the business community as hopelessly "reactionary" is hurting his cause.

A key to current Communist ambitions is the 14th of June political group, a pro-Castro organization and thus far the only legal party of the extreme left. The 14th of June group has been gaining some new supporters recently and is disinclined to become identified with the more doctrinaire Communists, who have been seeking its participation in a "united front."

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